



Secretary of the Air Force
Office of Legislative Liaison

C O N G R E S S I O N A L
H E A R I N G R E S U M E

106th Congress * Second Session*

Date: 15 Mar 00

SUBJECT: MWR Programs and Resale Systems

COMMITTEE: HASC Special Oversight Panel on Morale, Welfare and Recreation

CHAIRMAN: John M. McHugh (NY)

MEMBERS (PRESENT INDICATED WITH *)

Republicans

John M. McHugh (NY)*

Bob Stump (AZ)

Herbert H. Bateman (VA)*

Roscoe G. Bartlett (MD)*

J.C. Watts, Jr. (OK)

Saxby Chamblis (GA)

Joe Scarborough (FL)

Walter P. Jones (NC)*

Bob Riley (AL)

Robin Hayes (NC)

Democrats

Martin T. Meehan (MA)* Ranking

Norman Sisisky (VA)*

Soloman P. Ortiz (TX)

Owen B. Pickett (VA)*

Robert A. Underwood (GU)

Silvestre Reyes (TX)

Robert E. Andrews (NJ)

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Prepared by: Col. Doug Acklin

Date: 15 Mar 00

Ext: 693-9109

WITNESSES

PANEL I

1. Secretary Alphonso Maldon, Jr., Assistant Secretary of Defense (Force Management Policy)
2. VADM James F. Amerault, USN, Deputy Chief of Naval Operations
3. MG Robert L. Antwerp, Jr., USA, Assistant Chief of Staff for Installation Management
4. LTG Jack W. Klimp, USMC, Deputy Chief of Staff (Manpower & Reserve Affairs)
5. Lt Gen John W. Handy, USAF, DCS (Installations and Logistics)

PANEL II

1. Maj Gen Robert Courter, Jr., USAF, Director, Defense Commissary Agency
2. MG Barry D. Bates, USA, Commander, Army and Air Force Exchange Service
3. RADM Richard T. Ginman, USN, Commander, Navy Exchange Service Command
4. Mr. Philip G. Short, Director, Personal & Family Readiness, HQ USMC

PANEL III

1. Mr. Victor Vasquez, Jr., Deputy Assistant Secretary of Defense (PSF&E)
2. RADM James B. Hinkle, USN, Commander, Naval Personnel Command
3. BG Craig B. Wheldon, USA, Commander, US Army Community & Family Support Center
4. Mr. Philip G. Short, Director, Personal & Family Readiness, HQ USMC
5. Mr. Arthur Myers, Director, Air Force Services

EXECUTIVE SUMMARY: The hearing was very cordial with Chairman McHugh and all of the witnesses expressing praise for the outstanding service to the MWR Panel by retiring Members Bateman and Pickett. Chairman McHugh and all of the Panel members congratulated Lt Gen John Handy on his selection for a Fourth Star and pending nomination to serve as USAF Vice Chief of Staff. Secretary Mauldin, new in his job, was in the unenviable position of having to respond to criticism directed at the Department for failing to provide Congress with several reports directed in the last year or so. Lt Gen Handy, in defense of the Secretary, pointed out that the Commissary Operating Board (COB) was still studying several report proposals and would not be pinned down on turning in the reports in the next two weeks, "because we have to do it right". Major interest areas were Commissary Surcharge Fund solvency, best insurance plan for Non-Appropriated Fund (NAF) employees, slot machines, resales in conjunction with housing privatization, easing merchandise restrictions and selling larger TVs, increasing use of appropriated funds to support clubs and child care.

Panel I began at 1306 hrs

Chairman's Opening Remarks: Chairman McHugh praised the Services for meeting the challenge to step up to minimum appropriated funding standards which only the Marine Corps has not yet met. He expressed concern that a requested report on Commissary surcharge fund solvency had not been provided. He said the Panel would listen carefully to requests to ease exchange merchandise restrictions as they related to TVs larger than 35" and other items. He said since requested reports and information on exchange integration had not been forthcoming there would be no legislation on that subject this year.

Chairman McHugh: "Do we need to raise the 5% commissary surcharge?" Lt Gen Handy indicated the COB was looking at this issue but thought the 5% figure was "sacrosanct" and the "absolute top side." Senior Panel I service representatives agreed with holding the line at 5%.

CM Sisisky: Concerned Service families read about these and other discussions in the press about their Commissary benefits and often fear their benefits are degrading. He hoped the press would print the comment loud and clear, "the 5% surcharge will stick in this Congress" and would not be going up.

CM Bateman: Expressed his opinion that the new health benefits plan adopted for NAF employees, while better than what they used to have, did not give as many care options as the Federal Employees Health Benefit Plan and FEHBP was no more costly than the newly adopted NAF employees health plan. Secretary Maldon noted that several options were analyzed and the present plan was a good upgrade for NAF personnel. The Service representatives pointed out that the new plan had been a costly new draw on appropriated funds. Mr. Arthur Myers pointed out to Chairman McHugh during Panel 3 that the Air Force has consistently supported allowing NAF employees to join in FEHBP. He stated the number one complaint from appropriated fund employees who switch to NAF is "you're

degrading my health benefits." It was also pointed out that Congress is looking at an initiative, which would allow federal civil servants to pay FEHBP with pre-tax dollars.

CM Bartlett: Made a strong rhetorical point that it was unconscionable to have slot machines in facilities where they could get young troops in trouble financially -- at the same time when many young troops are still eligible for food stamps. Secretary Maldon discussed many financial counseling and education programs available to assist military families at the installation level.

CM Jones: Asked the services to be sensitive to small businesses around military bases. He cited a Marine Exchange policy in Jacksonville, FL that allowed delivery on any item throughout the metro area for \$25 -- a figure he stated local businesses complained they could not match. Lt Gen Handy and LTG Klimp both stated this was not a national policy.

Chairman McHugh: Asked in general about the need to ease restrictions on types of merchandise sold and specifically whether the Exchanges should sell TVs larger than 35." All Panel 2 witnesses provided figures that the larger TVs had provided dramatic increases in revenue. MG Bates said this was a \$36 million a year business. CM Pickett asked about credit interest rates and was told 13.5% for DPP as opposed to a 16% average outside the gate. General discussion centered on the fact that the exchanges were behind with HDTV soon to be a more common purchase. CM Meehan pointed out that his own habits had changed with the advent of satellite TV. Big screens are the next common purchase desire, CM Meehan stated.

CM Sisisky: Asked about new technology and Internet sales. He held up an ad to buy groceries on priceline.com and asked what the Services had planned. MG Bates and Maj Gen Courter stated this was an area of tremendous potential. Maj Gen Courter stated that computerized pricing, inventory re-order and other problems needed to be overcome first. This brought up questions from CM Bartlett on use of scanner data. CM Bartlett argued that the old sole source scanner data contract was cheaper and provided better data to the customer. Maj Gen Courter said a new computer program was being implemented shortly that would greatly improve ability to use scanner data and perform other needed computer functions.

Chairman McHugh: Stated during his recent trip through Bosnia and Kosovo he begged the deployed troops for complaints and hardly got any -- a tribute to all the witnesses. He mentioned that during the recent Air War there had been USO/Celebrity type shows and other professional groups and stars "all the time" and it had tapered off to infrequent visits. Mr. Myers pointed out that Air Force, as executive agent for Armed Forces Professional Entertainment Office shows, had front-loaded the schedule heavy during the holiday season. He said there would be two shows a month scheduled until the end of the year. Mr. Myers also pointed out the Air Force had fronted additional appropriated funds to beef up this program while still meeting and exceeding MWR and Services funding standards in other areas. The Chairman, citing his position on the HASC MILCON Subc, stated he was pleased overall with housing privatization projects he had seen. However, the Panel continued to be concerned with private sector resale programs in privatized housing competing with MWR resources. Mr. Myers and the other witnesses stated that "primacy" was the key factor, with no resale activity allowed which would deplete resources and dividends from the exchange or

commissary. Chairman McHugh also asked Panel 3 for ideas on how appropriated funds could be used in other areas. Mr. Myers outlined an Air Force initiative to pay subsidize club utilities and child care customers with appropriated funds if Congress would provide the authority. Chairman McHugh indicated the panel would give this further thought.

The hearing ended at 1707 hrs. Chairman McHugh indicated that since Panel 1 was dismissed early due to a vote by the Members, the Panel would submit numerous Questions for the Record to allow the Services to amplify their positions and provide funding data in many areas.